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BY ELECTRONIC SUBMISSION

December 17, 2001

Magalie Roman Salas, Commission Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S. W.
Washington, D. C. 20554

Re: Comment of Florida Legal Services on Proposed Subscriber Line Charge Increase in CC
Docket No. 96- 262

Dear Secretary Salas,

FLORIDA LEGAL SERVICES provide free legal assistance to low-income Floridians. We appreciate the opportunity that the Commission has provided for public comment on the proposed increase of the subscriber line charge (SLC) above \$5.00 per month. While we have familiarized ourselves with the circumstances under which the Commission approved a series of increases in the subscriber line charge, we are deeply concerned about consequences to low income persons of the \$1.50 monthly increase in the charge that has already been approved, and the lack of sufficient cost justification for the increase. (In Florida, PICC charges for basic residential service were reduced by much less than \$1.50 per month.) We are writing to strongly OPPOSE any further increases above \$5.00 per month. Such increases would be a blatant attempt by local exchange carriers (LECs) to raise their residential rates nationwide without justification, or concern for the consequences to subscribers. We urge the Commission to deny these requested increases.

FLORIDA LEGAL SERVICES has had substantial experience with efforts by LECs to increase basic residential rates in Florida. The members of the Coalition for Affordable Local and Long-distance Services (CALLS) that provide service in Florida tried from 1997 to 1999 to double basic residential rates in our state. (It is interesting how normally adversarial common carriers can unite around the raising of their rates.) The carriers used the same arguments they are using in this docket to justify the rate increases they sought. Due to our advocacy; that of AARP; and statewide outrage (see the attached newspaper column), the Florida Legislature refused to approve the sought increases in 1998, instead ordering a study by the Florida Public Service Commission (FPSC) on the need to increase basic residential rates. We participated in that study as well, and finally the Legislature in 1999 declined to approve the raising of basic residential rates in Florida. Apparently, the CALLS members next sought to obtain rate

increases from the Commission in this docket, for the first part of their requested increase in the SLC, from \$3.50 to \$5.00, was approved in June, 2000. The FCC order most significantly required long distance carriers to offer long distance plans that did not require monthly minimum charges, but otherwise provided considerably less than \$1.50 per month benefit to Florida residents on straight basic residential service. Further increases in the SLC would be harmful to low income persons and are unjustified by cost considerations. Below, we address each of these point in turn.

A RAISE IN THE SUBSCRIBER LINE CHARGE WOULD MAKE TELEPHONE SERVICE UNAFFORDABLE FOR MANY FLORIDIANS, PARTICULARLY LOW-INCOME AND ELDERLY PERSONS

Raising basic residential rates can be expected to have a devastating effect on the affordability of residential service in Florida. As part of its study on the advisability of raising basic residential rates, the FPSC conducted a telephone survey in August, 1998. The Commission obtained over 1,500 responses. Of those responding, over 7% of all subscribers, many of them elderly or low-income, said they would discontinue their basic residential service if the rate were increased just \$2. If this percentage is applied to the number of Floridians receiving phone service, the survey results predict that close to a million Floridians would disconnect from phone service in response to a \$2 per month increase in the basic residential rate, lowering Florida's telephone subscription to the lowest in the nation. In response to a \$5 per month increase, 13% said they would disconnect, which would represent nearly two million Floridians if the percentage is applied to all Floridians receiving phone service. A \$10 per month increase yields a 25% disconnect rate, which would constitute a staggering three and a half million Floridians disconnecting from phone service.

Among low-income respondents, the disconnection rates are even higher. The survey was not designed to isolate low-income household responses precisely, asking in approximately August of 1998 for "your family's household income . . . in 1997." Typically, slightly more than a quarter of all adults who are poor in one year are not poor in the following year.¹ Another group of persons would have temporarily escaped poverty at the time of the study, but would be considered in poverty for the year 1998. In addition, the income question is unclear, requesting information possibly for the individual's 1997 family or household ("your"); for the current "family" for 1997; or for the current "household" for 1997. Fully one in five of the respondents were unable to answer the question. In spite of these muting effects, the survey nevertheless found that for respondents reporting less than \$10,000 income in 1997, about 10% would disconnect in response to a \$2 per month increase in the residential phone rate; 20% would disconnect in response to a \$5 per month increase; and 44% would disconnect in response to a \$10 per month increase.

¹ - "Dynamics of Economic Well-Being, Poverty 1993-94," *Current Population Reports*, U.S. Bureau of the Census. The study found that 26.8% of all adults who were poor in the first year of the study were not poor in the second.

The FPSC survey results on the disconnection response to rate increases are presented below. The sources of the survey responses are Table 1-13 and Table 2-13 of the Appendix to the FPSC residential rates report.

Percentage of Respondents Who Would Discontinue Local Phone Service in Reaction to Increase in Basic Residential Monthly Rate (FPSC Survey, August 1998)			
Amount of Monthly Rate Increase	All Respondents	Respondents With Less Than \$10,000 Income in 1997	Projected Number of Floridians Who Would Lose Service²
\$2	7.1 %	9.5 %	982,784
\$5	13.4 %	20.5 %	1,854,832
\$10	25.1 %	44.1%	3,474,349

Why are these disconnection responses so high? The rates for basic residential telecommunications service in Florida in 1998, about \$12.50 to \$15.50 per month, including the then \$3.50 subscriber line charge, are affordable to many households, as evidenced by their subscription to basic residential service. However, many low-income recipients, especially those who would qualify for public assistance, cannot afford telephone service even at these rates. In the only report of which we are aware on public assistance recipients' subscription to telephone service, a 1989 report by the Federal Communications Commission,³ 31 percent of households

² - Calculated by multiplying the percentage of all respondents who would discontinue service by the Florida population with phone service (13,842,029, calculated by multiplying the most recent estimate of Florida's population, 14,915,980, from ST-98-1 *Estimates of the Population of States: July 1, 1998*, U.S. Bureau of the Census; by the percentage of Florida households with telephone service in their residence, 92.8%, from Table 3, *Telephone Subscribership in the United States* (FCC 1998)). The result is higher than the number of residential telecommunications subscribers who would disconnect because there is more than one person with use of phone service per subscriber.

³ - "Telephone Penetration and Household Family Characteristics," FCC Docket No. 87-339 (1989),

that receive food stamps do not have telephone service; 28 percent of households that receive welfare as part of their household income do not have telephone service; and 21 percent of households in public housing, or in receipt of federal energy assistance, LIHEAP, do not have telephone service.

Every dollar rise in the monthly basic residential rate means \$12 less in phone customers' annual budgets, and will force some customers to leave. Few low-income households have savings they can draw upon, or unnecessary expenses that they can cut. Some do not have \$12 extra per year; more still do not have \$24 extra per year; and so on. Those who will pay the increases may buy less medicine for themselves, or less orange juice for their children.

Rises in basic local telecommunications rates would have devastating effects upon the public. The reasons for this derive from the nature of telephone service itself. Telephone service is absolutely vital to households in today's society. Yet despite the great importance of being connected to the telecommunications network, telephone service is among the more likely candidates for elimination from household budgets should basic rates rise, for two reasons. First, the value of telephone service is shared between the telephone customer and those who communicate with the customer through the telephone, so that the total value of telephone service is greater than that derived from the customer alone. The losses associated with termination of phone service borne by relatives who are no longer able to contact the customer; by businesses that lose profits because they are not called; and by communities that suffer from unemployment, lack of school attendance, and health problems fostered by the lack of phone service, are not fully considered by the customer when service is terminated.

Even more importantly, telephone service is used intermittently. It is the most valuable of all consumer goods or services when it is needed most, but at other times may not be used at all. Households that are on very tight budgets must pay for housing, power, water, nourishment and medicine, or perish. Phone service, compared with these expenditures, is not as immediate, and is more easy to terminate, than these other expenditures, and so is more likely to be discontinued if its rates rise. Yet the consequences down the road to a household without telephone service are disastrous. Low-income households without telephone service have difficulties staying employed, keeping children in school, and staying connected with sources of support that can assist them in escaping poverty. They become trapped in unsafe and unhealthy neighborhoods. The ill hurt more, isolated by themselves. The elderly simply die.

Even many households with income several times the poverty level, though, are on very tight monthly budgets. Expenditures for family members, pets, transportation and outstanding debts have accumulated for many households to barely manageable levels, or beyond. The

discussed in Schement, "Beyond Universal Service: Characteristics of Americans Without Telephone, 1980-1993 (WP #1, Benton Foundation).

raising of basic telephone rates, to these households, means calling mom less often; foregoing a favorite recreational activity; or putting off needed car repairs. Rises in basic rates must be perceived to be necessary in order for these households to accept them without rancor, for the deprivation caused by the increases is sharply felt. Rises in basic phone rates would not be perceived to be affordable by households on tight budgets, even if the basic service was maintained, and payment of rate hikes perceived to be unjustified would be made under deep protest.

Customers who could pay the increased basic residential service rates without significant difficulty would still be keenly aware of the hardships caused to others by the increases, due to the nature of telephone service, and consequently many of them would consider the new rates to be “unaffordable.” Friends or family members that the better-off customers know, or want to stay in touch with, would have difficulty paying the increases, and might have to discontinue service, causing at least inconvenience, and reduction in the value of service, to all customers. Employers would have greater difficulty contacting employees, and businesses and professionals would receive less business by telephone and be less able to contact their clients. These consequences of higher basic service rates would lead many customers who are able to pay the increases to nevertheless view the higher rates as unaffordable.

The LECs assert that the rise of telephone subscribership over the past ten years in neighboring southeastern states which have higher basic residential rates shows that increase in rates will not discourage telephone subscribership in Florida. *In none of our neighboring states, though, was there a rise in telephone rates over that period that would cause disconnections.* FLORIDA LEGAL SERVICES compared changes in telephone subscribership in these states to changes in real inflation-adjusted median household income over this period. We found, first, that nationally over this period there was a slight increase in telephone subscribership independent of income. Changes in individual states’ telephone subscribership rates in this time period were very closely connected to changes in real state income. (Table 1.) In most of these states, real income rose substantially. Florida’s real income fell by about 6% over the past decade, so our telephone subscribership rate fell, too.

When we looked at whether households actually had telephones in their living units, we found that Florida’s subscribership rate in 1987 had been between 2.3% and 9.4% higher than any of the surrounding states with higher basic rates. As Florida lost household income in comparison with our neighboring states, that margin has narrowed considerably. In Mississippi, though, a small, rural high-cost state that has the region’s highest overall residential and business rates, actual in-unit telephone subscribership has lagged at 89.2%, some 4.7% below the national average. (Table 1.) These data show that our neighboring states’ telephone subscribership had been adversely affected by their higher-cost rates for basic residential service, and that only these states’ rise in real household income has increased their subscribership rates to levels closer to Florida’s level.

In the FPSC proceedings in 1998 to gather information about residential rates, GTE (now Verizon) made reference to a survey of telephone subscribers conducted in California after the

increase of basic rates in that state earlier in this decade, that showed little change in subscribership levels from those prior to the increase. However, any subscriber in California who was adversely affected by the rate increases could self-certify for inclusion in the state's Lifeline program, and, according to data compiled by the Federal Communications Commission, subscribers receive a partial rebate of their monthly telephone bills from the state. Such means of lessening the impact of a rate increase are not in place in Florida.

LECs made two further assertions in the proceedings, that telephone subscribership is affected very little by increases in basic residential rates, and that the addition of the SLC in the 1980s did not decrease subscribership, that are both based upon data collected by the FCC in the time period 1984 to 1988 in about 500 areas around the country.⁴ The data, though, do not support the LECs' assertions. First, the \$3.50 access charge was phased in between 1984 and 1989, and during the time period of the data did not exceed an average charge of \$2.67. Second, the studies cited by the LECs do not measure significant parts of subscribers' bills over that period that actually decreased, such as charges for many subscribers' purchases of their telephone equipment in 1984 due to regulatory changes, and the reduced use of telephone leasing over that period; and do not account for differences between the places surveyed that may account for differences in subscribership between them, other than non-inflation adjusted income.⁵ Finally, the country was in the midst of a robust economic recovery from a severe recession over that time period, with real, inflation-adjusted household income rising seven percent over those four years⁶, that substantially countered the effects of increases in phone bills, if any, that occurred. Finally, the main study cited on the subject of price elasticities, Hausman, Tardiff and Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States," 83 *American Economics Review* 178 (1993), does not report the statistical reliability measures of its estimating equations, so it is not possible to evaluate the study's statistical reliability. The sum of these data characteristics is that the data used for both of these assertions very weakly measured rate changes' effects upon telephone subscribership, such that it is reasonable to attribute the reported low price elasticities to poor data.

The LECs also asserted that many low-income subscribers subscribe to premium vertical services, and that this purported high use of these services shows either that these households could pay for higher rates through discontinuing these services, or that these households may benefit from "rate rebalancing" through lower charges for other services. Low income subscribers do often subscribe to free or very low cost ancillary services. However, based upon

⁴ - Hausman, Tardiff and Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States," 83 *American Economics Review* 178 (1993).

⁵ - Pages 4, 51-52, 1998 *Reference Book of Rates, Price Indices and Expenditures for Telephone Service*, Federal Communications Commission; and Pages 51-52. The survey sample is discussed in Hausman, Tardiff and Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States," 83 *American Economics Review* 178 (1993).

⁶ - Table 718, 1997 Statistical Abstract of the United States.

our own experience in representing low-income clients, and the FCC report's findings that about a quarter, or more, of public benefits recipients cannot afford telephone service, FLORIDA LEGAL SERVICES does not find it credible that low-income and Lifeline eligible households purchase premium vertical services to the extent that increases in their basic residential rate would be offset through lesser expenditures on vertical services.

Also in the 1998 proceedings, GTE and Sprint each indicated that they had conducted surveys of their own customers that included a determination of subscription to vertical services, and that these surveys showed that a significant number of low-income subscribers purchased vertical services. The results they reported, though, showed that these companies lack the capability to break down by customer income level the services to which their customers subscribe. The GTE survey differentiated customers not by household income, but rather by residence in a Census area that, almost ten years ago, was considered low-income. Sprint did not know how the survey was conducted, its scope, or what it asked, having commissioned a consulting firm to conduct it, but believed that the survey designated as "low income" households with less than \$25,000 annual income. Sprint did not present enough information to allow an evaluation of the credibility of its results, and most households with income less than \$25,000 in Florida are not low income. This data does not show that low-income and Lifeline eligible households would be able to draw protection from increased basic residential rates through decreased purchases of vertical services.

The LECs further claimed that the Lifeline program, a federal-state program which in Florida provides a \$10.50 per month subsidy to the overall phone bills of subscribers who receive benefits from at least one of seven designated public assistance, would be generally available to low-income subscribers who would be adversely affected by a rise in basic residential rates. However, currently less than 1% of GTE and Sprint subscribers enroll in the program, and only 2% of telephone subscribers statewide do. More distressingly, participation in the program has steadily decreased over the past two years. Lifeline definitely is not a viable protection for most persons adversely affected by higher basic residential rates.

There are a number of factors that may be contributing to the low participation rate. More than half of Florida households below the poverty level do not qualify for Lifeline/Link-Up assistance because they do not meet the Florida program requirement of receiving one of a number of public benefits. Florida Lifeline recipients currently are required to initiate their application to the program, and there are many reasons common to nonparticipation in any public benefit program why they fail to apply, including lack of knowledge, inability to apply, personal oversight, personal circumstances, and so on. LECs may be engaging in practices that discourage or make difficult participation in the Lifeline program. Most importantly, low-income households cannot obtain phone service because they cannot pay all of the charges required for the initiation of telephone service, including the deposit and other standard initial charges; past due phone bills that they owe; and/or improper charges resulting from "slamming," "cramming," unauthorized pay-per-call charges, or other unfair practices.

A RAISE IN THE SUBSCRIBER LINE CHARGE IS NOT JUSTIFIED BY THE LECs'

COST DATA, COST STUDIES, AND RELATED SUBMISSIONS

The cost information from the LECs that FLORIDA LEGAL SERVICES has reviewed consists only of hypothetical future costs based upon the LECs' cost models and internal depreciation allowances. The LECs further utilize an accounting policy of attributing all loop costs in their hypothetical cost models toward basic service in order to arrive at inflated and wholly unrealistic estimates of basic service costs. For the FPSC to use these cost determinations to set phone rates in Florida actually *would violate state law, F.S. §364.051(6)(c), with respect to pricing of nonbasic services, and probably would violate federal law as well* that requires that allocations of loop costs to basic service consist only of "a reasonable share" of these costs, 47 U.S.C. 254(k); *Smith v. Illinois Bell Telephone*, 282 U.S. 131 (1930). The LEC data and studies misleadingly treats these hypothetical costs as actual costs. The costs that matter for rate setting instead are those for the local telephone system as a whole, of which the draft report takes no account.

FLORIDA LEGAL SERVICES objects strenuously to the use of hypothetical cost models, such as the LECs propose, to estimate costs of basic residential service, rather than actual data. Customers' residential phone rates should be determined only by actual, rather than hypothetical costs. We do not question the appropriateness of using these cost models for other purposes, such as determining the charges that one provider should pay another for use of network components. These are long-range contracts that involve indeterminate sources of revenues and of opportunity costs. However, when rates for specific consumer services are being determined by regulation due to the presence of monopolies, as occurs for basic residential phone service in Florida and elsewhere, cost calculations that will be used in setting these rates should be based upon actual costs rather than hypothetical costs.

Further, we believe that the process that the Commission and interveners have had to review the submitted data and studies is wholly insufficient to arrive at any definite conclusions as to costs, even if the appropriate data were supplied. There have been none of the features of contested dockets that assure some level of reliability and confidence in the results, such as open issue identification; independent Commission staff aggressively probing company claims; full discovery; findings of fact based upon sworn testimony and cross examination; and specific rate proposals of the LECs for the Commission and public to react to.

One feature of the cost data and supporting studies submitted by the LECs stands out for special criticism. The LEC submissions appear to incorporate a policy advocacy position of the LECs that the costs of local exchange networks should be allocated almost entirely to basic service. Vertical services appear to be charged only for part of the cost of the switches that they use.⁷ The result in the Florida PSC study submissions, that we would not expect to be different

⁷ - Long distance services also appear to be allocated merely the cost of the switching and interconnection equipment. Some of the major cost allocation issues that we could not follow from the discovery we obtained from the LECs are, how the cost models used by the LECs differentiate between the costs for business and for residential basic service; and whether the per-line costs listed by the LECs are for

in those of the instant proceedings, was that over 99 percent of the costs divided between basic and vertical residential services were allocated to basic service.

Local exchange networks are built and designed to facilitate all telecommunications services, not just basic service. The functioning of all of networks resources is necessary for the operation of each service. Network costs therefore fall within the “joint and common” category of costs. The manner in which network cost is allocated therefore is one of policy, rather than of physical separateness. One service of the network thus does not subsidize another.

The allocation of local exchange costs proposed by the LECs is an unreasonable allocation because it is contrary to, and, if converted into rate increases, would substantially impede the current public policy of universal service, through creating hardships upon telephone customers and causing retreat from universal service; because it does not enjoy public support and is inequitable to basic service customers; because it supports unfair monopolistic practices, rather than legitimate public issues, such as the development of competition in comparison with other states; and because it is not followed, to our knowledge, in any state and is not needed to address any current unfairness towards LECs in local service pricing.

The LECs’ proposed segregation of basic service alone to bear the brunt of network costs is unwise from a public policy perspective, because such pricing would result in the impairment or loss of public benefits derived from universal service. The public policy of universal service, and the public’s support for it, is girded upon several benefits provided to the public at large. First, universal service provides value to the local network for the public at large, including businesses and those making incoming calls to subscribers. Second, local network access is today an indispensable link to the world for millions of subscribers, particularly for those on limited incomes. We have built our modern society based upon access to the phone system, eliminating in the process much of our former, neighborhood-based, ways of life. Taking away access to phone service through unnecessary rate increases, at this point, would be grossly unfair and inhumane to those directly affected, and would substantially burden the remainder of society through increased demands placed on assistance and relief resources. And third, access to the local network also provides “entry” to non-basic local services, such as long distance and

primary lines only, or for all lines. These distinctions obviously have a large influence on the cost calculations. In addition, we have no way of verifying most of the ultimate cost data that was used in the cost models. FLORIDA LEGAL SERVICES hopes to obtain some insight into these cost allocation issues at the technical workshop scheduled in this proceeding, or, if necessary, at separately scheduled depositions of LEC representatives.

vertical services, that also use the network, and therefore it is reasonable and just for non-basic services to bear part of the cost of the network. Unnecessary rate increases for basic local service would cause hardship on residential customers, and retreat from universal service. Subsidized lifeline rates would cover only about 15 percent of affected low income households in Florida, and only about 2 percent of all affected Florida households.

It also would be inequitable to allow such a cost allocation. The LECs' cost allocation proposal is inequitable even from a functional perspective. All phone services, not just basic service, use the local network, and require the functioning of the local network to be operable and of economic value. The local network is built and physically designed to fully facilitate all of these services. It would be inequitable for local exchange companies to build local networks designed to facilitate all of these services, and then to arbitrarily assign almost all of the networks' costs to basic service alone, and to charge customers accordingly.

The allocation of local exchange costs proposed by the LECs also is unreasonable because it supports unfair monopolistic practices, and does not further legitimate public issues, such as the development of competition in local exchange service in comparison with other states. Pricing basic residential rates based upon the LECs' proposed cost allocations would be an unfair monopolistic practice. Basic residential customers alone still are monopoly customers of local telephone customers, and therefore need continued regulatory protection. Use of the LECs' current proposed allocation of local exchange network costs to basic residential service would single out basic residential customers, who are monopoly customers, to dramatic price increases, in order to subsidize either the LECs themselves, or other competitive services that the phone companies offer. The basic rate customers would be taken advantage of based upon their monopoly customer status. Until the LECs networks are truly open to alternative carriers, such proposed pricing would be an unfair monopolistic practice.

Furthermore, current pricing of local exchange services in Florida appears to be fair to local exchange carriers. The costs of providing local exchange service do not appear to have increased, and may have decreased, over the past several years. Florida LECs have maintained or increased their substantial profitability over this time.

During the FPSC's 1998 study, each of Florida's three large LECs, BellSouth, Sprint and GTE (now part of Verizon) reported in their 1997 annual reports that their non-depreciation expenses have remained nearly stationary over the past three years; and that they substantially increased their depreciation-related expenses in the fourth quarter of 1995 after opting out of rate regulation earlier that year. The LECs reported that they made the accounting change not because of increased costs, but rather to take advantage of no longer having to follow regulatory guidelines, and thus being able to increase their depreciation allowances, and consequently capital expenditures, in order to better position themselves competitively in subsequent years. The result was that the Florida LECs reduced the estimated useful life of much of their infrastructure (cable, circuits, switches, etc.) by a third or more; took massive extraordinary charges in 1995; and generally increased their depreciation allowances in subsequent years. In spite of these large accounting adjustments, Florida's three large LECs continued to be highly

profitable, reporting pre-tax profits in 1997 of at least 32 percent.⁸ Florida LECs may petition the Commission for a rate increase if they believe that “circumstances have changed substantially [since Florida’s deregulation of local exchange service in 1995] to justify any increase in the rates for basic local telecommunications services,” F.S. §364.051(5), but no such petition has been filed.

⁸ - Consolidated Statements of Income and Notes, in 1998 10-K reports [1997 Annual Reports] of BellSouth Telecommunications (Note M), GTE Florida (Note 2) , and Sprint-Florida (Note 8), as filed with the Securities and Exchange Commission.

BellSouth Telecommunications (BST) reduced its estimated economic asset lives of its digital switching from 17 to 10 years, and its other circuits from 10.5 years to 9.1 years; of its buried and aerial metallic cable from 20 to 14 years; and its underground metallic cable from 25 to 12 years. As a result of the accounting switch, BST posted an extraordinary charge in 1995 of \$2,718 million after taxes. BST’s depreciation and amortization rose from \$3,065 million in 1995 to \$3,332 million in 1997, while its other regularly occurring operating expenses rose by two percent. BST’s pre-tax profits in 1997 were 33.1% .

GTE Florida reduced its average depreciable lives of copper from 20-30 years to 15 years; of switching from 17-19 years to 10 years; of circuit from 11-13 years to 8 years; and fiber from 25-30 years to 20 years. As a result of the accounting switch, GTE Florida posted an extraordinary charge in 1995 of \$374 million after taxes. GTE Florida’s depreciation and amortization rose from \$285 million in 1995 to \$358 million in 1997, while its other operating costs and expenses rose by one percent. GTE Florida’s pre-tax profits in 1997 were 32.5%.

Sprint-Florida discontinued using regulatory depreciation standards, but did not disclose in its annual report the company’s reductions in asset useful lives. As a result of the accounting switch, Sprint-Florida posted an extraordinary charge in 1995 of \$139 million after taxes and other adjustments. Sprint-Florida’s depreciation rose from \$228 million in 1995 to \$247 million in 1997, while its other regularly occurring operating expenses rose by four percent. Sprint-Florida’s pre-tax profits in 1997 were 31.8% .

For all of these reasons, FLORIDA LEGAL SERVICES respectfully requests that the pending request by local exchange carriers (whether they call themselves CALLS or any other acronym) to increase the subscriber line charge above \$5.00 per month be denied.

Respectfully submitted,

/SIGNATURE/

Benjamin Ochshorn, Senior Attorney
FLORIDA LEGAL SERVICES

TABLE 1**Percentage of Households With Telephone Service Available 1988-1997**

	<u>1988</u>			<u>1997</u>		
	<u>Median Income of Households (1997 Dollars)</u>	<u>Telephone in Unit</u>	<u>Telephone Available</u>	<u>Median Income of Households (1997 Dollars)</u>	<u>Telephone in Unit</u>	<u>Telephone Available</u>
United States	\$36,937	92.7%	94.5%	\$37,005	93.9%	95.0%
Florida	34,469	92.7	94.5	32,455	92.8	94.0
Alabama	27,064	87.3	89.6	31,939	92.3	93.6
Georgia	36,043	90.1	92.4	36,663	92.0	93.0
Louisiana	27,809	87.3	91.1	33,260	91.0	93.5
Mississippi	24,646	83.3	88.6	28,499	89.2	93.2
North Carolina	33,124	90.4	92.8	35,840	93.1	94.2
South Carolina	34,641	88.5	91.4	34,262	92.5	93.8
Tennessee	28,296	90.3	93.5	30,636	94.5	96.4

Sources: Annual Averages, Table 3, *Telephone Subscribership in the United States (Data Through March 1998)*, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission (Released July 1998)

Table H-8, "Median Household Income by State: 1984 to 1997" *1998 March Current Population Survey*, U.S. Bureau of the Census.

Phone rate ruse won't wear well with Florida voters

By HOWARD TROXLER

_St. Petersburg Times, published February 20, 1998

Of all the nitwitted, mouth-breathing, pasty-faced, greasy-palmed, leisure-suited, lousy, round-heeled, immoral, unfair, paid-for, slimy, arrogant and not-very-good things that our Florida Legislature is capable of

This takes the cake. This is one of the all-time piperoots.

I am begging. Please, please, pleeeeeeze, please let the Legislature vote to double the local telephone bills of the people of Florida this spring.

I want to see the massacre.

I want to see polyester-wearing politicians tarred and feathered in this fall's election.

I want to see the members of the Legislature trapped, once and for all, unable to play this game any longer.

Here is the deal.

There is a plan in the Legislature to allow telephone companies in Florida to start raising their local rates, a buck or two a year, until they get somewhere just shy of \$24 a month.

Here in most of the Tampa Bay area, we pay \$11.88 a month to GTE. Raising that to just shy of \$24 a month would be, let's see here, let's take out the calculator ... why, about double.

And why? Why does the Legislature want to double your phone bill?

To help you, that's why.

If they can jack up local rates, they say we all will be better off. Florida will be more attractive to other telephone companies, and they will come down here and compete. (Something tells me they will not "compete" their way back down to \$11.88 a month.)

The telephone companies love to say, in a patronizing way, speaking of their local customers sort of like they were inconvenient house pests, that local rates are far too low. Local rates are "subsidized" by all the other money the companies rake in.

No kidding, Sherlock.

Sure, local rates are subsidized. And the napkins you get at a restaurant are "subsidized" by what you pay for your food. Unless, of course, they put a separate napkin charge on your bill. In this newspaper, everything that isn't an advertisement is "subsidized," too. This is like saying

that we're going to start charging extra for the articles.

Here is the real story.

For many years now, the long-distance guys, such as AT&T, were at war with the local guys, such as GTE and BellSouth. The local guys charged the long-distance guys a bundle for access to their lines.

But now, they have gotten smart and have lined up on the same side -- against you. The local guys will charge the long-distance guys less, and you more. No wonder they all love it.

With all of them pushing in the same direction, it is easy to roll the Legislature right over. Hello, sailor.

This is more than just a bald-faced lie. It is a double lie, a lie on top of a lie, and a cheat on top of a cheat. I use the words "lie" and "cheat" deliberately and with their full meaning.

The Legislature told the people of Florida a direct lie in 1995 when it stopped regulating the profits of local telephone companies.

On that day (soon after the phone companies bought a lobster dinner for 40 lawmakers), the Legislature waved a magic wand and said local phone service was not a monopoly anymore. It declared that there was plenty of "competition" for your dial tone.

Well, is there?

How many people have knocked on your door, trying to sell you a dial tone? How much choice do you have?

Odds are you are still the captive of the monopoly. That monopoly can make as much money as it wants, no limit, as if this were still 1900, and Teddy Roosevelt had never busted the trusts.

And now, the Legislature says, those monopolies should be allowed to double the rates they charge their captives?

Sure. Right.

Here is what is not going to happen:

They will not be able to do it, sneak home and get re-elected quietly.

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